

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

Case No. 08-69445

LITTLE ROCK BAPTIST CHARITY CARE
CENTER, INC.,

Chapter 11

Judge Thomas J. Tucker

Debtor.

ORDER REQUIRING DEBTOR TO AMEND DISCLOSURE STATEMENT

On April 6, 2009, Debtor filed a plan and disclosure statement, in a document entitled “Combined Plan and Disclosure Statement of Little Rock Baptist Charity Care Center, Inc.” (Docket # 110). The Court cannot yet grant preliminary approval of the disclosure statement contained within this document (“Disclosure Statement”). The Court notes the following problems, which Debtor must correct.

First, the Plan at Paragraph 3.1.1 on page 28 describes the treatment of Class I, which consists of the secured claims of Specialized Pharmacy. It states: “The allowed secured claim of Specialized Pharmacy shall be paid consistent with the terms of the consent judgment in favor of Specialized Pharmacy.” Debtor must amend this paragraph of the Plan and also the corresponding paragraph of the Disclosure Statement on page 4, which summarizes the treatment of Class I in the Plan, so that these paragraphs specify the terms of the referenced consent judgment. In addition, Debtor must explain why this class is impaired given that it is being paid under the terms of the consent judgment.

The Debtor also must eliminate the inconsistencies pointed out by Specialized Pharmacy Services, LLC at p. 3 ¶ 8 its Objection filed April 15, 2009 (Docket # 114).

Second, the Plan at Paragraph 3.2.1 on page 28 describes the treatment of Class II, which

consists of the secured claims of People's State Bank. It states: "The allowed secured claim of People's State Bank shall be paid pursuant to the agreement of the parties." Debtor must amend this paragraph of the Plan and also the corresponding paragraph of the Disclosure Statement on page 4, which summarizes the treatment of Class II in the Plan, so that these paragraphs specify the terms of the referenced agreement of the parties. In addition, Debtor must explain why this creditor's claim is impaired given that it is being paid "pursuant to the agreement of the parties."

Third, the Plan at Paragraph 3.6.1 on page 29 describes the treatment of **Class VI**, which consists of the "Equity Shareholders of the Debtor." It states: "**Class IV** shall consist of the Equity Shareholders of the Debtor which in this case is **Little Rock Baptist Christian Care, LLC**. In exchange for the continued uncompensated services of members of Little Rock Baptist Christian Care, LLC to the Debtor post-confirmation, the shareholder shall retain its sole shareholder interest in the Debtor." (Emphasis added). Debtor must correct the typographical error in this paragraph by changing "Class IV" to "Class VI." Debtor must also list all of the members of Little Rock Baptist Christian Care, LLC., and state what services they currently perform and will continue to perform for the Debtor. Finally, Debtor must amend the corresponding paragraph of the Disclosure Statement on page 5, which summarizes the treatment of Class VI in the Plan, to correct apparent typographical errors by changing all references to "Little Rock Baptist Christian Care, Inc." to "Little Rock Baptist Christian Care, LLC."

Fourth, the Disclosure Statement at Section II.A on pages 6-7 provides a description of the Debtor. Debtor must amend this section to provide a description of the full corporate structure of the Debtor (*e.g.*, Debtor must state that its sole shareholder is Little Baptist Charity Care, LLC, and then state who the members of the LLC are).

Fifth, Debtor must amend Section II.B of the Disclosure Statement on page 7 so that it includes a description of the principals, their background, their annual salary, compensation, draw or other remuneration, including fringe benefits and their legal relationships with Debtor, if any.

Sixth, Debtor must amend Section II.C of the Disclosure Statement on page 8 to list the salaries and fringe benefits of the management of the Debtor, and their legal relationship to the Debtor, if any.

Seventh, the first sentence of Section VI.E.1 of the Disclosure Statement on page 20, which describes the “Effect of Confirmation” is missing the word “shareholders” from the list of parties bound by the terms of the confirmed Plan. Debtor must amend this Paragraph so that it reads: “1. Its terms are binding on the Debtor, all Creditors, shareholders and other parties in interest, regardless of whether they have accepted the Plan.”

Eighth, the Disclosure Statement at Section V.A on page 17 states that financial information for the two years pre-petition is provided in Exhibit A. Debtor must amend Exhibit A so that it includes financial information for the three years pre-petition.

Ninth, Debtor’s Disclosure Statement at Section V.B on page 17 states: “As discussed in Section II.A of this Disclosure Statement, post-confirmation, Debtor proposed to compensate the existing management group on the same terms and conditions as he has been compensated during the course of this Chapter 11 proceeding.” However, Section II.A does not describe management or its compensation. Section II.C on page 8 describes “Debtor’s Management and Employee Base,” but does not describe the compensation of the management group. Debtor must amend

the Disclosure Statement so that it actually describes the post-confirmation management and salaries of the management of the Debtor.

Tenth, Section V.C of the Disclosure Statement on pages 18-19 states, in relevant part, that “Debtor is unable at this time to fully determine the effect that the proposed Plan of Reorganization will have upon its tax attributes.” Debtor must amend the Disclosure Statement to state the tax ramifications for the continuing entity if the plan is confirmed.

Eleventh, the Disclosure Statement at Sections I.B on page 4, and IV.A on page 14, reference the “contingent” secured claim of People’s State Bank. Debtor must amend these paragraphs of the Disclosure Statement to explain what it means by “contingent.”

Twelfth, Section I.B of the Disclosure Statement on page 5, states, regarding Class V general unsecured claims, that “[t]he Debtor shall pay the general unsecured creditors a ten percent (10%) distribution of its general unsecured claims . . . until paid in full.” Likewise, Paragraph 3.5.1 of the Plan on page 29 states that the members of Class V “shall receive 10 percent (10%) of their Allowed Claims by distribution of a dividend . . . until paid in full.” Debtor must change “paid in full” in each of these places to “until the 10% dividend is paid in full” to make it clear that this class will not be getting paid the full amount of its claims but rather will be paid only 10% of its claims.

Thirteenth, the Disclosure Statement at Section I.B on page 6 states: “Joseph Wright has filed a proof of claim in this matter asserting an equity interest in the Debtor. The Debtor has objected to Mr. Wright’s proof of claim on the grounds that he was not an equity owner on the Petition Date.” The Debtor must amend this section to state what will happen to Mr. Wright’s equity interest if the Court determines that he *was* an equity owner on the Petition Date. The

Debtor must also amend Paragraph 3.6 of the Plan on pages 29-30 to describe what would happen to Mr. Wright's equity interest if it is determined that he was an equity owner on the Petition Date.

Fourteenth, Debtor must amend Section II.A of the Disclosure Statement on page 7 to change "Little Rock Baptist Charity Care, Inc." to "Little Rock Baptist Charity Care **Center**, Inc." as being the name of Debtor when it reinstated its corporate charter.

Fifteenth, the Disclosure Statement at Section IV.D.1 on page 15 states: "With respect to the State of Michigan and the UIA, the Debtor shall pay the statutory interest rate on the priority tax claims as of the effective date." Debtor must state what the statutory interest rate is in this section as well as in Paragraph 2.4 of the Plan on page 27.

Sixteenth, the Disclosure Statement at Section IV.F on page 16 states that "[t]he primary obligor on the People's State Bank debt is Little Rock Baptist Nursing Centers, LLC." Debtor must state what this entity's legal relationship to the Debtor is.

Accordingly,

IT IS ORDERED that Debtor must file, no later than **April 30, 2009**, an amended combined plan and disclosure statement which corrects the above stated problems.

IT IS FURTHER ORDERED that Debtor also must provide to Judge's chambers, no later than **April 30, 2009**, a redlined version of the amended combined plan and disclosure statement, showing the changes Debtor has made to its "Combined Plan and Disclosure Statement of Little Rock Baptist Charity Care Center, Inc." filed April 6, 2009. Debtor must submit this redlined document to chambers electronically, through the Court's order submission program.

Signed on April 19, 2009

/s/ Thomas J. Tucker
Thomas J. Tucker
United States Bankruptcy Judge